

KEYNOTE ADDRESS
BY
DR. SUSILO BAMBANG YUDHOYONO
PRESIDENT OF THE REPUBLIC OF INDONESIA
AT
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Bismillahirrahmanirrahim

Assalamu 'alaikum warahmatullahi wabarakatuh

Distinguished guests,
Ladies and gentlemen,

Let me begin by extending a very warm welcome to all the participants of this second Infrastructure Conference.

To all our guests, I wish you a productive meeting and I hope you will seriously consider the business opportunities that are being offered here. *I want you to know that YOU are the star of this forum, while my role here is just as a salesman and, perhaps, customer service officer to receive your complaints.*

We have invited you to join us here because we want you to be part of a success story in the making.

The story of Indonesia in the past 8 years has been one of a remarkable democratic transition.

The story of Indonesia in the coming years will be no less remarkable : it will be a story of Indonesia's great transformation into a modern, prosperous, stable and vibrant economy.

A recent report by the National Intelligence Council, titled *Mapping the Global Future*, predicted that, and I quote, "Indonesia could surpass all but the largest European economies by 2020."

Indonesia indeed is a nation on the move. Signs of hope, signs of change, and signs of progress are plenty.

Our democracy has delivered political stability, a predictable political order that will last until the next elections in 2009.

In Aceh, for the first time in 30 years, we have a permanent peace deal in Aceh, a rare peace that stands in contrast to the on-going conflicts around the world.

We successfully held 262 local elections throughout Indonesia recently. This means 80% of our local officials are now directly elected.

And our anti-corruption campaign is advancing by the day, reminding our officials, former officials and ordinary citizens each and every day that no one is above the law.

Our economy is also doing well, especially given the circumstances. Despite the tsunami, the oil price, the rise of Federal rates, the endless natural disasters, the avian flu, our macro-economic performance held up.

Our GDP grew by 5,6 % last year, and this year we expect growth to be at least 5,6 %, while keeping inflation below 7 %. In 2005, our income per capita stood at US\$ 1,300, and by the end of 2006, we expect it to be around US\$ 1,500, well above the pre-crisis level. Our Rupiah is stable at around Rp 9,200 per US dollar, our trade grew by 19 % last year, our reserves—at over US\$ 40 billion—are the highest its ever been, and our stock market is one of the top three in Asia.

This is not to say that the picture is all rosy for Indonesia. We are still being challenged with the seemingly endless problems of unemployment and poverty.

We are doing all we can to achieve a better quality of growth, one that reduces more poverty, creates more jobs, delivers better standard of living, and better protects the environment.

We are also working hard to achieve the quality growth that enables us to reach all the targets of the Millennium Development Goals by 2015, and, *Insyah Allah*, even before that.

Of all the challenges that we face, infrastructure development stands very much at the top of the list.

We all know the importance of infrastructure. It reduces income inequality and regional disparities, and reducing regional disparities is central to avoid rising inequality and social conflict. The building of infrastructure will have multiplier effects on growth and creates jobs.

Our infrastructure problem is quite simple : there has NOT been enough of it. In fact, there is too little of it. During the crisis years, we simply stopped putting money on building infrastructures, a trend which we must now reverse. It became obvious that inadequate infrastructure, such as poor roads, hinder public access to health, education, and markets, and therefore making poverty alleviation even more challenging.

Today, infrastructure development is a key component of our Mid-term Development Plans, our 5-year national plan. We want more toll roads, more ports, more power plants, more refineries, more telecommunications, more airports, and more bridges throughout Indonesia.

For the development of non-commercial infrastructure, my Government has prioritized its funding from the state budget.

We have spent a generous amount on basic health and education infrastructures, rural electrification, and rural irrigation. We will keep on spending for this purpose, because we owe it to the poor, and because it is the right thing to do. It

will bring electricity to rural households, drinking water to the wider population, and access to information and markets, a much needed asset to all.

But there is also plenty of opportunities for commercially viable infrastructure projects.

We estimate that over the next few years we will need at least US \$22 billion per year to build infrastructure in the energy sector roads, ports, harbours, housing and water sanitation, and others. The Government will provide only part of this funding while the major portion will have to come from the private sector.

We know full well that a prime consideration for the private sector to invest is profitability.

That is why, since the First Infrastructure Summit here in Jakarta last year, we have actively developed Public-Private- Partnership schemes, which we hope you will find attractive.

Last year, I issued Presidential Regulation no. 67/2005, which outlined a more robust legal and regulatory framework for Public-Private- Partnership, with strong emphasis on transparency, fairness, a level playing field and mutual benefit.

This regulation reflects our commitment to offer projects that adhere to international best practices and good governance. At the same time, we also hope that investors will adhere to best practices in participating in the tender process in an open and competitive way.

The regulation also protects the best interests of consumers, the public and private investors. All infrastructure projects would be implemented through partnership agreements or operating licenses after passing proper due diligence.

This Public- Private- Partnership is also now strengthened with a fair risk-sharing framework, which I know is important for your business consideration. We all know that infrastructure projects have a long-term payback period. So to provide you with greater security, the Government is perfectly willing to enter into a reasonable degree of risk-sharing.

We are also now willing to provide financial support for SOME Public Private projects, such as for the 10,000 MW "crash program" in power generation. However, government financial support will only be offered to projects which have been properly prepared and are compliant with the regulations on PPP. I believe my Minister of Finance will have a chance later to elaborate on this.

Ladies and gentlemen,

This Infrastructure Conference is different from the last one in that there are 10 projects we are offering as model projects: they are meticulously prepared, they are equipped with feasibility study, and they are commercially viable.

And there are more coming. In the very near future, we will offer more projects in transportation, toll-roads, drinking water, and electricity. We hope you will success in joining us to make them a reality.

I have taken a personal interest in the success of these projects. I have instructed my Ministers, especially my sectoral Ministers who are involved in the preparation and implementation of these projects, to ensure that the projects, from start to finish, are done in the most professional and transparent way, and with a win-win attitude for all.

This is why I have formed and strengthened the National Committee for the Acceleration of Infrastructure Provision (known as KKPPI). And this is why the Government will establish a Project Development Facility (PDF) to ensure that all Public Private Projects are properly prepared and executed.

Indeed, we have spent the last one and a half years completing the policy and institutional framework. I assure you that my sector ministers will complete their sector reforms.

So Ladies and Gentlemen, our offer to you is on the table. I hope you will give them the judicious consideration that they deserve. We are offering you a win-win package where the Government will deliver, the private sector will benefit, the people will get more infrastructure, and the economy will grow. I invite all investors, contractors, and financial institutions to join us in this great project of rebuilding a new Indonesia.

By way of a final word, let me say that this Second Infrastructure Conference also coincides with the end of my second year in office. The last 2 years have been a difficult roller coaster ride, with lots of trials and tribulations. I have learned a great deal about the challenges of Indonesia, about what works and what doesn't, about the myriad of obstacles that lie in the path of change.

But none of these challenges deter me from feeling even more optimistic about Indonesia's promise. They only remind me of the need to avoid being distracted, to constantly improvise, to turn problems into opportunities and to remain focused on the long-term objectives of the nation.

This is also true for our infrastructure development. We have faced shortages, difficulties, obstacles, and even failures. But I also have reasonable optimism that our infrastructure development has bright prospects.

I do believe that good policy, good partnership and perseverance will prevail. And at the end of the road, there will be a modern Indonesia endowed with more and better infrastructure for all.

I thank you.

Wassalamu 'alaikum warahmatullahi wabarakatuh